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UNITED STATES DEPARTMENT OF AGRICULTURE
✓ Federal Crop Insurance Corporation
Washington 25, D. C.

January 30, 1948

✓^x FEDERAL CROP INSURANCE PROGRAM SUMMARY

for

Farm News and Radio Editors X

The purpose of Federal crop insurance is to provide the farmer protection of his crop investment against production risks which man cannot control such as weather, insects and plant diseases.

Federal crop insurance legislation in effect provides farmers with the machinery for and the opportunity to build a sound program that will provide this basic protection of their business enterprise. Their premiums can be used only to pay losses suffered by insured producers. Administrative expenses are carried by the Government as a service to farmers.

It is not intended to assure the farmer a profit but to provide him basic protection of his production costs that is not otherwise available. The farmer's production is insured at virtually every step in its progress from the time it leaves the farm until it reaches the consumer. It is good business practice to insure an investment. Since the risk of loss on the production line from the planted crop to the consumer is by far the greatest when the crop is growing, the need for a sound program of crop insurance is obvious. It is good business for the farmer and the nation to close this gap in available insurance protection.

In 1948, Federal crop insurance entered a new stage in the development of a program of protection for farmers against crop losses resulting from unavoidable production risks. Federal crop insurance operations were limited by amendments to the legislation by the 80th Congress so that refinement of the program and development of a sound basis for offering crop insurance may be continued with less financial risk to the Government. The Federal Crop Insurance Corporation's authority for testing different methods and plans of crop insurance protection was broadened considerably by the new legislation.

The first stage in the development of Federal crop insurance was from the start of the program in 1939 through 1943. Wheat insurance was offered on a national basis throughout this period and cotton insurance on a national basis for the last two years. Federal crop insurance experience was interrupted in 1944 when no insurance was offered farmers. The second stage began in 1945 when the Corporation was again authorized to offer crop insurance to farmers and extended through 1947. During this period, insurance was offered nationally on wheat, cotton and flax and on a trial basis on corn and tobacco.

Beginning with 1948 crops, the legislation limits wheat insurance to 200 counties, cotton to 56, flax and corn to 50 each and tobacco to 35. This compares with 1947 operations in 1500 wheat counties, nearly 700 cotton counties, over 200 flax counties, and 19 counties each for tobacco and corn. The amendments came too late for the required changes and selection of counties to be completed in time to accept new applications for insurance on 1948 winter wheat,

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except in three counties (Logan, Colorado, Ford, Kansas and Hamilton, Nebraska) where a new experimental low-cost, low-coverage contract was offered.

Operations under the new legislation are actively under way at this time with sales campaigns being carried out or organized on 1948 spring planted crops of cotton, wheat, flax, corn and tobacco.

A list of the counties selected for Federal crop insurance in 1948 is attached. However, for the program to go into effect a county must meet the minimum participation requirement which was raised from 50 to 200 farms for each commodity by the new legislation. Counties in which crop insurance is offered and farmers fail to display sufficient interest to meet the 200-farm requirement will be replaced by other counties for the 1949 program.

The legislation required that the counties selected be representative of the various production areas and that the commodity insured be a major factor in the county's agricultural income. This has resulted in the Federal Crop Insurance Corporation's administrative front for the reduced program being scattered thinly throughout the nation. This wide distribution of counties is essential to an adequate experimental program that can be expanded easily to additional counties.

The maximum amount of coverage that may be offered in an area under the amended legislation is the general cost of producing the crop in the area. This means that crop insurance now offers the producer protection of his investment (either all or a part) in producing the crop. Most contracts in the past insured either 50 or 75% of the average yield established for the farm which in many instances was equal to somewhat more than the investment.

A coverage per acre and premium rate per acre are established by the Corporation for all acreage in the county which is classified as insurable. Land of similar productivity and risk of loss is grouped by areas in each county and carries the same coverage and premium rate. Until this year, coverage was based on average yields for individual farms.

Yield insurance will continue to be the plan of protection offered in the majority of counties in 1948. Under this plan both coverage and premium per acre are expressed in commodity units -- bushels or pounds. A loss is suffered under the yield plan when the total production on an insurance unit falls below the insured production for the unit due to causes insured against. Indemnities and premiums are converted to a dollar value on the basis of a specified price.

Formerly legislation provided that insurance on wheat, cotton and flax could only be against loss of yield, but the amended legislation removes this restriction.

A dollar coverage plan will be tried in 1948 on each commodity in a few counties. Under this plan coverage per acre and premium rates are both stated in dollars. A loss is suffered under the contract when the value of the crop is less than the insured dollar coverage for the unit. Several methods of computing the value of the total production on a unit are being tried such as a price fixed before the contract is sold, a percentage of parity on a specified date, the county loan rate or the actual price received from sales.

Under both plans protection increases as the producer's investment in the crop increases with the highest protection on acreage actually harvested and the lowest on acreage released for planting a substitute crop.

In two counties (one in Minnesota and one in Michigan), the Corporation is developing a "multiple crop" contract under which several crops will be insured jointly and production from all insured crops used in determining a loss. This plan may provide the answer to the crop insurance protection needs of diversified farming areas.

While Federal crop insurance experience for 1947 is not yet complete with many loss adjustments still to be made in cotton and tobacco, it is now apparent that the combined 1947 experience for all five commodities will show premiums exceeding losses paid by nearly \$15,000,000. This is the first year in the history of crop insurance that premiums have exceeded indemnities on combined operations. Experience was favorable on four commodities -- wheat, flax, tobacco and cotton -- with corn the only insured commodity in which 1947 indemnities exceed premiums. The corn experience resulted from the very poor crop season in many corn areas.

Both wheat and tobacco insurance have operated for three consecutive years with premiums exceeding losses paid and flax has experienced two favorable years out of the three that flax insurance has been offered. During the three-year trial period, corn insurance shows one year in which premiums exceeded indemnities. Heavy losses were suffered in cotton crop insurance every year until 1947 when a major change was introduced in the coverage offered under cotton contracts whereby the coverage per acre increases in four stages as the crop grows and more costs of production are incurred.

The number of counties in which Federal crop insurance can operate for each commodity cannot be increased until such a change is authorized by an amendment to the legislation.

Attachment

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COUNTIES APPROVED FOR CROP INSURANCE IN 1948 BY THE
Federal Crop Insurance Corporation

COTTON

<u>State</u>	<u>County</u>	<u>Closing Date</u>
Alabama	Houston, Pike	March 15, 1948
	DeKalb, Madison, Tuscaloosa	March 31, 1948
Arizona	Pinal	March 25, 1948
Arkansas	Chicot, Crittenden, Desha, Faulkner	
	Hempstead, Lawrence, Lee	March 31, 1948
California	Fresno, Tulare	March 25, 1948
Georgia	Burke, Dooly	March 15, 1948
	Carroll, Jackson	March 31, 1948
Louisiana	Bienville, Caddo, Natchitoches,	
	Richland	March 15, 1948
Mississippi	Covington	March 15, 1948
	Holmes, Lee, Quitman, Tallahatchie,	
	Washington, Winston	March 31, 1948
Missouri	New Madrid	March 31, 1948
New Mexico	Chaves	March 25, 1948
North Carolina	Cleveland, Mecklenburg	March 31, 1948
Oklahoma	Bryan, Grady, Hughes	March 31, 1948
South Carolina	Anderson, Orangeburg, Greenville	March 31, 1948
Tennessee	Lauderdale, McNairy	March 31, 1948
Texas	Cameron,, Donley, Jones, Knox,	
	Lubbock, Nueces	January 31, 1948
	Anderson, Collin, Hill, McLennan,	
	Red River, Rusk, Williamson	March 15, 1948
	Reeves	March 25, 1948

FLAX

California	Imperial	No 1948 program
Iowa	Osceola	March 15, 1948
Kansas	Allen, Anderson	March 15, 1948
Minnesota	Becker, Blue Earth, Brown, Clay,	
	Goodhue, Kandiyohi, Kittson,	
	Lac Qui Parle, Lincoln, Lyon, Martin,	
	Marshall, McLeod, Murray, Nobles,	
	Norman, Olmsted, Pennington, Polk,	
	Pope, Redwood, Roseau, Swift,	
	Traverse, Wilkin	March 15, 1948
Montana	McCone, Sheridan	March 15, 1948
North Dakota	Barnes, Benson, Cass, Grand Forks,	
	La Moure, McLean, Nelson, Pembina,	
	Pierce, Ramsey, Richland, Steele,	
	Stutsman, Traill, Walsh, Ward	March 15, 1948
South Dakota	Codington, Day, Roberts	March 15, 1948

CORN

<u>State</u>	<u>County</u>	<u>Closing Date</u>
Illinois	Livingston, McDonough, Montgomery, Tazewell, Whiteside	April 30, 1948
Indiana	Benton, Decatur, DeKalb, Miami	April 30, 1948
Iowa	Buena Vista, Floyd, Madison, Osceola, Scott, Story, Washington, W. Pottawattamie	April 30, 1948
Kansas	Jackson, Marshall	April 30, 1948
Maryland	Kent	April 30, 1948
Michigan	Hillsdale, Monroe	April 30, 1948
Minnesota	Martin, Redwood, Wabasha	April 30, 1948
Missouri	Carroll, Marion, Nodaway	April 30, 1948
Nebraska	Richardson, Saunders	April 30, 1948
Ohio	Champaign, Preble, Seneca	April 30, 1948
Pennsylvania	Chester	April 30, 1948
South Dakota	Clay, Minnehaha	April 30, 1948
Wisconsin	Lafayette, Sauk	April 30, 1948

TOBACCO

Connecticut	Hartford	May 31, 1948
Florida	Madison	March 27, 1948
Georgia	Appling, Cook	March 27, 1948
Kentucky	Bourbon, Graves, Larue, Pulaski, Simpson	May 8, 1948
Maryland	Anne Arundel	May 31, 1948
Massachusetts	Hampshire	May 31, 1948
North Carolina	Columbus, Pitt, Stokes, Surry, Vance, Wake, Wilson	April 24, 1948
Ohio	Brown	May 8, 1948
Pennsylvania	Lancaster	May 31, 1948
South Carolina	Horry, Marion	April 10, 1948
Tennessee	Greene, Johnson, Maury, Montgomery	May 8, 1948
Virginia	Appomattox, Lunenburg, Pittsylvania, Halifax	May 1, 1948
	Washington	May 8, 1948
Wisconsin	Dane, Vernon	May 31, 1948

WHEAT

Minnesota	Clay, Kittson, Norman, Polk, Stevens	March 15, 1948
Montana	Dakota, Goodhue	1/
	Daniels, McCone, Roosevelt, Sheridan, Valley	March 15, 1948
	Chouteau, Fergus, Hill, Judith Basin, Liberty, Pondera	1/
North Dakota	Benson, Bottineau, Burleigh, Cass, Griggs, Grand Forks, La Moure, McIntosh, McKenzie, McLean, Mercer, Morton, Pierce, Ramsey, Sargent, Sheridan, Stutsman, Traill, Walsh, Williams	March 15, 1948

WHEAT (Continued)

<u>State</u>	<u>County</u>	<u>Closing Date</u>
South Dakota	Brown, Codington, Day, Edmonds, Faulk, Marshall, McPherson, Perkins, Potter, Spink Tripp, Meade	March 15, 1948 1/ 1/
California	San Luis, Obispo, Sutter, Tulare	1/
Colorado	Adams, Baca, Kit Carson, Logan, Phillips, Weld	1/
Idaho	Bannock, Idaho, Latah, Lewis, Nez Perce, Teton	1/
Illinois	Christian, Macoupin, Madison, Mason, Monroe, Sangamon, St. Clair, Washington	1/
Indiana	Allen, Decatur, DeKalb, Kosciusko, LaPorte, Noble, Shelby, Sullivan	1/
Kansas	Barton, Clay, Cowley, Cloud, Dickinson, Ford, Harper, Harvey, Kingman, Lincoln, Marion, Marshall, McPherson, Mitchell, Nemaha, Osborne, Pawnee, Pratt, Rawlins, Reno, Republic, Rush, Russell, Scott, Sedgwick, Sherman, Stanton, Sumner, Trego, Washington	1/ 1/
Maryland	Carroll, Kent	1/
Michigan	Barry, Clinton, Eaton, Gratiot, Hillsdale, Monroe	1/
Missouri	Bates, Cass, Chariton, Cooper, Lafayette, Pike, Saline, St. Charles, Vernon	1/
Nebraska	Buffalo, Chase, Cheyenne, Deuel, Gage, Hamilton, Jefferson, Kimball, Nuckolls, Richardson, Saunders, Seward	1/
New Mexico	Curry, Quay	1/
New York	Ontario, Seneca	1/
Ohio	Franklin, Greene, Highland, Mercer, Preble, Putnam, Seneca, Stark, Tuscarawas, Williams	1/
Oklahoma	Alfalfa, Beckham, Blaine, Custer, Garfield, Grady, Greer, Jackson, Kingfisher, Kiowa, Noble, Tillman	1/
Oregon	Gilliam, Morrow, Sherman, Umatilla, Union	1/
Pennsylvania	Berks, Chester, Columbia, Lancaster, Lycoming	1/
Texas	Collin, Gastro, Deaf Smith, Denton, Floyd, Grayson, Hale, Jones, Knox, Runnels, Swisher, Taylor, Young	1/
Utah	Box Elder, Jaub	1/
Washington	Adams, Benton, Douglas, Franklin, Grant, Walla Walla, Whitman	1/
Wyoming	Goshen	1/

1/ No spring sales campaign.